



October 12, 2007

Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551
Attn: Docket No. R-1286

Re: Proposed Amendments to Reg Z Open-End Credit Rules

Dear Madams and Sirs:

Iowa Bankers Association (“IBA”) is a trade association representing nearly 95% of 400+ banks and savings and loan associations in the State of Iowa. We appreciate this opportunity to comment on the Proposed Amendments to Reg Z’s Open-End Credit rules primarily focusing on credit and charge card application and solicitation disclosures, account-opening disclosures, periodic statement disclosures, change-in-terms notices, and advertising provisions.

Without a doubt, there have been dramatic changes in consumer credit markets, products and technology since the TILA was enacted and then revised in 1980. The number and variety of open-end product offerings have been significantly expanded and become increasingly complex, the market for open-end consumer credit products is far more competitive, and the number of consumers who are eligible to receive open-end credit products has also dramatically increased.

Keeping in mind Congress’ primary purposes for the TILA: (1) to provide a meaningful disclosure of credit terms to enable consumers to compare the various credit terms available in the marketplace more readily and avoid the uninformed use of credit; and (2) to protect consumers against inaccurate and unfair credit billing practices; the IBA offers these comments in relation to the proposed changes to Reg. Z.

Comments Related to Proposed Changes to Application and Solicitation and Account Opening Disclosures

There is little doubt consumers today are overwhelmed with the magnitude of information provided to them in disclosures. Given one of TILA’s primary purposes is to provide meaningful disclosure of credit terms to consumers so they can compare credit offerings, it may benefit all concerned to employ the “less is more” concept focusing disclosures on credit terms most important to consumers.

We applaud the Board’s use of consumer study groups to test the effectiveness of proposed changes to disclosure content and format. The Board’s recommended revisions to application, solicitation and account opening disclosures format and content to promote uniform disclosures by lenders should result in more meaningful information for consumers. Model terminology for

applications, solicitations and account opening disclosures will allow consumers to better compare credit products.

The use of the summary table format to emphasize the most important credit terms to consumers in evaluating credit card products remains a key element in providing meaningful disclosure to consumers. Again, keeping in spirit of the “less is more concept,” we see little benefit to the consumer in including the following information in the table format and believe the inclusion of these items detracts from other more important terms:

- The minimum finance charge – Typically minimum finance charges are minimal amounts that do not impact a consumer’s decision-making process when selecting a credit product.
- Balance computation method – We agree with the Board recommendation to provide the balance computation method explanation outside the table format. The computation methods are not readily understood by consumers and also not an area that consumer have expressed concern over. While the information may be useful to some consumers, it again rarely impacts a consumer’s decision-making process and thus, does not warrant placement in the table format.
- Payment allocation – The proposal by the Board to include payment allocation information in the table appears to be fairly narrow pertaining only to instances in which a card issuer offers a discounted rate on a balance transfer or cash advance and the issuer allocates payments to the lower rate first. It is important that consumers understand how their payments are applied to outstanding balances, however payment allocation methods are often complex and vary depending upon credit product features such as balance transfers, cash advances, special promotion purchases, etc. Thus, payment allocation methods might better be described outside the table format to allow more room for a more thorough explanation.

We appreciate the Board’s efforts to develop a website for consumers to learn more about credit card products for those consumers who are so motivated.

Comments Related to Proposed Changes to Periodic Statements

Periodic statements are not used a shopping tool to compare one credit product to another. The purpose of periodic statements is provide important information regarding actual costs incurred by the consumer as a result of their credit card use as well as specific transaction information. Since each credit product and consumer’s use of that product is unique, we see little value to consumers in requiring uniform formatting of periodic statements. Lenders should be given the flexibility to develop periodic statements that are meaningful to their customers based on the features and costs of the product and the customer’s use of those features. The cost incurred by lenders to accommodate the proposed changes to the periodic statement formatting will be staggering in comparison to the marginal impact such changes would provide consumers.

We do support the Board’s proposed removal of the requirement to provide the disclosure of the effective or “historical” APR from the periodic statement. The disclosure is seldom understood by borrowers.

Comments Related to Change in Term Notices

The amendments provide a provision requiring 45-day advance notice of rate increases due to a consumer's delinquency or default or a rate increase that is a penalty for one or more events specified in the account agreement. The proposal appears to overlook key points:

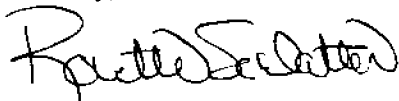
- The circumstances under which such rate increases may occur are disclosed to consumers multiple times in application and solicitation disclosures as well as account opening disclosures – if the consumer has reviewed his/her disclosures he/she has been informed when the penalty rates can be applied;
- Such rates increases are reflective of instances or circumstances in which creditors have deemed the accounts to be considered “higher risk” and thus have put in place higher risk-based pricing; and
- The proposal appears to assume if consumers receive 45-day advance notice of the rate increase, they will have the opportunity to pay off the debt or find alternative financing. If the consumer's behavior with his/her current creditor warrants higher-risk based pricing, it is unlikely the same consumer would be able to secure lower cost credit elsewhere.

Our concern is the imposition of a mandatory 45-day delay in effecting rate changes on some accounts due to those consumer's actions in regard to their account (e.g., going over the limit, making late payments, etc.) will result in unintended adverse consequence for all borrowers in an attempt by lenders to mitigate their costs and losses caused by those who warrant the higher-risk based pricing. Some of those unintended consequences could include increased APRs for all borrowers, even greater penalty rates, increased annual fees or the elimination of such credit products even being offered to higher-risk borrowers. It is unlikely the 45-day notice would stop lenders from imposing such rate increases but rather just prolong the time before such rates are assessed.

While the IBA supports and appreciates the FRB's overall efforts to re-evaluate the effectiveness Reg Z's open-end credit disclosures, we urge you to carefully consider the impact of such broad-reaching changes. Such fundamental changes will result in substantial expense to creditors which are ultimately borne at least in part, by consumers. We also request that in the event such substantial changes are finalized, lenders be given ample time to comply with the changes, at least 18 to 24 months.

Thank you for the opportunity to comment on this matter. If you have any questions related to my comments, please feel free to contact me at (800) 532-1423 or at rschlatter@iowabankers.com.

Sincerely,



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